

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2021

Docket No. ACR2021

CHAIRMAN'S INFORMATION REQUEST NO. 11

(Issued February 4, 2022)

To clarify the basis of the Postal Service's FY 2021 *Annual Compliance Report* (ACR), filed December 29, 2021,¹ the Postal Service is requested to provide written responses to the following questions. **For the following questions, if the Postal Service chooses to respond using a graphical representation of data, please also file the underlying data in the form of an Excel spreadsheet. Such spreadsheets shall preserve all data links and show all formulas used, including volumes and other weighting factors.** Answers should be provided to the individual questions as soon as they are developed, but no later than February 11, 2022.

Post Office Suspensions

1. Please fill in the table below from the Postal Service's current records regarding information on suspended post offices for FY 2017 through FY 2021.

¹ United States Postal Service FY 2021 *Annual Compliance Report*, December 29, 2021 (FY 2021 ACR).

Fiscal Year (FY)	Number of Suspensions Start of FY	Offices Suspended During FY ^a	Offices Suspended and Reopened During FY ^b	Offices Suspended in Prior Years and Reopened during FY ^c	Suspended Offices Closed During FY ^d	Number of Suspensions End of FY
2017	662					
2018						
2019						
2020						
2021						

^a This column lists the total number of post offices newly suspended during the applicable fiscal year. It does not include post offices suspended before or after the applicable fiscal year.

^b This column lists the number of post offices that were suspended during the applicable fiscal year and reopened during the same fiscal year.

^c This column lists the number of post offices that were suspended in prior fiscal years and reopened during the applicable fiscal year. *E.g.*, 10 post offices that were suspended during FY 2016 reopened in FY 2017.

^d This column lists the number of suspended post offices that were closed during the fiscal year.

2. Please refer to the table provided in response to question 1, above.

- a. Please confirm that the total number of suspended post offices at the beginning of FY 2017 is 662 as noted in the table.² If not confirmed, please provide the correct number in the table and reconcile any discrepancies.
- b. Please confirm that the numbers in the “Number of Suspensions End of FY” column are equal to the following: **Number of Suspensions Start of FY** plus **Offices Suspended During FY** minus **Offices Suspended and Reopened During FY** minus **Offices Suspended in Prior Years and**

² See FY 2021 ACR at 79.

Reopened During FY minus **Suspended Offices Closed During FY**. If not confirmed, please explain how the numbers in the “Number of Suspensions End of FY” column were calculated.

- c. Please confirm that the numbers in the “Number of Suspensions End of FY” column are the same as the numbers in the “Number of Suspensions Start of FY” column for the following year.³ If not confirmed, please reconcile any discrepancies between the number of suspensions at the end of the fiscal year and the number of suspensions at the start of the next fiscal year.
- d. For the post offices listed in the “Offices Suspended in Prior Years and Reopened During FY” column, please provide the fiscal year each reopened post office was originally suspended.⁴
- e. Please explain how the numbers in the table account for the 206 suspended post offices remaining from FY 2016. See FY 2021 ACR at 80.
- f. Please confirm that the numbers in the table are consistent with the information provided in Library Reference USPS-FY21-33.⁵ If not confirmed, please identify any discrepancies and submit an updated library reference or spreadsheet containing accurate information on post office suspensions in FY 2021.

³ For example, the number of suspensions at the end of FY 2017 should be the same as the number of suspensions at the beginning of FY 2018.

⁴ For example, if there were 60 suspended post offices reopened during FY 2017, the response would indicate that 10 were suspended during FY 2010; 20 were suspended during FY 2013; 20 were suspended during FY 2014; and 10 were suspended during FY 2015. Although this information was provided in a prior Chairman’s Information Request (CHIR) response, the information may change depending on the numbers provided by the Postal Service in this CHIR response.

⁵ Library Reference USPS-FY21-33, December 29, 2021, folder “USPS.FY21.33.Files,” Excel file “PostOfficesFY2021.xlsx.”

- g. Please confirm that the numbers in the table are consistent with the information provided in Responses of the United States Postal Service to Questions 1-11 of Chairman's Information Request No. 5, question 3.a, January 31, 2022. If not confirmed, please identify any discrepancies and provide a full explanation reconciling the numbers.
3. Please provide a spreadsheet listing each of the post offices that were suspended at the end of FY 2021. This spreadsheet must include the 206 suspended post offices remaining from FY 2016, as well as the post offices suspended between FY 2017 and FY 2021 that were not subsequently reopened or closed at the end of FY 2021. Information in this spreadsheet must be consistent with the table provided in response to question 1 above and include the following columns:
- i. State
 - ii. Area
 - iii. District
 - iv. Office Name
 - v. Facility ID
 - vi. Suspension Date
 - vii. Suspension Reason
4. Please confirm that the spreadsheet provided in response to question 3 above is consistent with the spreadsheet the Postal Service filed in Docket No. ACR2020, which includes information on the 206 suspended post offices remaining from FY 2016.⁶ If not confirmed, please identify any discrepancies and submit a revised

⁶ Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 32, November 9, 2021, Excel file "List Of Offices For ChIR No. 32.xlsx."

spreadsheet containing correct information about these 206 suspended post offices.

Periodicals

5. Please refer to Library Reference USPS-FY21-1, December 29, 2021, Excel file “Public_FY21CRARReport.xlsx,” and Table 12: Periodicals Volume, Revenue, and Cost by Product. See FY 2021 ACR at 38.
 - a. In Table 12, the Postal Service reports that Outside County Periodicals had revenue of \$891 million and attributable costs of \$1,661 million. The Postal Service reports that Outside County Periodicals had a contribution of negative \$730 million. Please confirm that the difference between revenue and attributable costs for Outside County Periodicals is negative \$770 million (*i.e.*, \$891 million – \$1,661 million). If confirmed, please update the contribution for Total Periodicals in Table 12. If not confirmed, please explain and provide source information for Outside County Periodicals’ negative contribution of \$730 million.
 - b. In Table 12, the Postal Service reports that In-County Periodicals had attributable costs of \$108 million, that Outside County Periodicals had attributable costs of \$1,661 million, and that Total Periodicals had attributable costs of \$1,799 million. In tab “Cost1,” cell F41 of Excel file “Public_FY21CRARReport.xlsx,” the Postal Service reports that Total Periodicals had attributable costs of \$1,770 million. Please confirm that the attributable costs reported in Excel file “Public_FY21CRARReport.xlsx,” for Total Periodicals is the correct attributable costs figure for Total Periodicals. If confirmed, please update attributable costs for Total Periodicals in Table 12. If not confirmed, please explain differences in reported attributable costs for Total Periodicals in Excel file “Public_FY21CRARReport.xlsx” and FY 21 ACR, Table 12.

Service Performance - Offshore Special Study

6. In the Postal Service's Offshore Special Study FY 2021 Report, submitted with Library Reference USPS-FY21-29,⁷ the Postal Service states that "[o]ut of the 92 rural ZIP Code Areas and mail class subgroups measured, the Gateway significantly outperformed the rural ZIP Code Area 29% of the time (27)." FY 2021 Offshore Special Study at 25. In other words, the Postal Service asserts that 27 ZIP Code Areas did significantly worse than the Gateway. *Id.* However, the embedded table "FY 2021 Statistically Significant Differences for Rural ZIP Code Area Performance When Compared to the Gateway ZIP Code Area" on page 25 reflects 26 Zip Code Areas that did significantly worse than the Gateway. Please reconcile these statements.
7. In Docket No. ACR2019, Library Reference USPS-FY19-29, December 27, 2019, PDF file "FY19-29 Offshore Special Study.pdf," at 23 (FY 2019 Offshore Special Study), the Postal Service stated that a total of 113 rural ZIP Code Areas and mail class subgroups were measured. On page 25 of the FY 2021 Offshore Special Study the Postal Service states a total of 92 rural ZIP Code Areas and mail class subgroups were measured. Are the 92 rural ZIP Code Areas and mail class subgroups representative of all possible measurable areas and subgroups, or are they a sample of a larger dataset?
 - a. If they are representative of all possible measurable areas and subgroups, please explain why there are fewer areas and subgroups than in FY 2019.
 - b. If they are a sample of a larger dataset, please explain any changes in the measurement system since FY 2019.

⁷ Docket No. ACR2021, Library Reference USPS-FY21-29, December 29, 2021, PDF file "FY21-29 Offshore Special Study" (FY 2021 Offshore Special Study).

Service Performance

8. In response to CHIR No. 2, question 25, the Postal Service describes a new technological tool referred to as National Delivery Intelligence (NDI).⁸
- a. Please explain in detail the nature of this initiative, including what it measures and what aspect of service performance it is intended to improve.
 - b. Identify the metric(s) used to quantify the impact of the NDI tool on service performance for FY 2021.
 - c. Provide the quantification, with supporting documentation, of the impact on service performance for FY 2021.
 - d. If quantitative support for the impact is unavailable, please explain why it is unavailable and provide a qualitative description of the impact on service performance.
 - e. If the Postal Service intends to continue using the NDI tool in FY 2022, please identify the metric(s) that will be used to quantify the impact on service performance for FY 2022.
 - f. If the Postal Service does not intend to continue using the NDI tool in FY 2022, please explain why the Postal Service does not intend to do so.
9. The Postal Service reports that “[u]nder [its] new Division structure, the Postal Service integrated the reporting of Network Distribution Centers (NDCs) back into each NDC’s host Division, which was a change from the previous NDC-only reporting structure.”⁹ The Postal Service asserts that “[t]his change in reporting

⁸ Responses of the United States Postal Service to Questions 1-36 of Chairman’s Information Request No. 2, January 25, 2022, question 25.a. (Response to CHIR No. 2).

⁹ Library Reference USPS-FY21-29, December 29, 2021, PDF file “USPS Division Report.pdf,” at 2.

relationship ensures the alignment of mail processing priorities across the NDC campus with the plants it directly services within each Division.” *Id.*

- a. Please explain in detail the nature of this initiative, including to whom NDCs reported before and after implementation of the initiative, and how the initiative is expected to improve service performance.
 - b. Identify the metric(s) used to quantify the impact of integrating NDC reporting back into each NDC’s host Division on service performance for FY 2021.
 - c. Provide the quantification, with supporting documentation, of the impact on service performance for FY 2021.
 - d. If quantitative support for the impact is unavailable, please explain why it is unavailable and provide a qualitative description of the impact on service performance.
10. The Postal Service states that one of the strategies it employed to improve service performance for letter- and flat-shaped products in FY 2021 was “[u]se of Mail Processing Performance visualization....” Response to CHIR No. 2, question 25.a.
 - a. Please explain in detail the nature of this initiative.
 - b. Identify the metric(s) used to quantify the impact of Mail Processing Performance visualization on service performance for FY 2021.
 - c. Provide the quantification, with supporting documentation, of the impact on service performance for FY 2021.
 - d. If quantitative support for the impact is unavailable, please explain why it is unavailable and provide a qualitative description of the impact on service performance.

11. The Postal Service states that one of the strategies it employed to improve service performance for USPS Marketing Mail in FY 2021 was “Advancement of Marketing Mail.” Response to CHIR No. 2, question 25.a.
 - a. Please explain in detail the nature of this initiative.
 - b. Identify the metric(s) used to quantify the impact of Advancement of Marketing Mail on service performance for USPS Marketing Mail in FY 2021.
 - c. Provide the quantification, with supporting documentation, of the impact on service performance for FY 2021.
 - d. If quantitative support for the impact is unavailable, please explain why it is unavailable and provide a qualitative description of the impact on service performance.
12. The Postal Service states that one of the strategies it employed to improve service performance for all Market Dominant products in FY 2021 was “Labeling list updates.” Response to CHIR No. 2, question 25.a .
 - a. Please explain in detail the nature of this initiative, including how it affects service performance.
 - b. Identify the metric(s) used to quantify the impact of Labeling list updates on service performance in FY 2021.
 - c. Provide the quantification, with supporting documentation, of the impact on service performance for FY 2021.
 - d. If quantitative support for the impact is unavailable, please explain why it is unavailable and provide a qualitative description of the impact on service performance.

13. The Postal Service reports that data are available to identify the top root causes of failure for Bound Printed Matter (BPM) Flats. Response to CHIR No. 2, question 12.
 - a. Please provide point impact data for each of the top 15 root causes for BPM Flats in FY 2020 and FY 2021 separated by year and root cause of failure.
14. Please confirm that the Postal Service is unable to quantify the impact of critically late trips (CLTs) on Market Dominant service performance results.
15. Please refer to the FY 2020 Annual Compliance Determination in which the Commission recommended that the Postal Service develop a metric to “isolate delays specific to moving mail between processing facilities” and “monitor and ensure that Administrative Officials adhere to the established process of taking progressive corrective actions against an underperforming supplier and document such actions as they occur.”¹⁰ Please describe in detail the steps that the Postal Service has taken to effectuate this directive.
16. Please refer to the Postal Service’s Response to CHIR No. 1, question 13.a., in which the Postal Service, discussing employee availability, explains that “[o]ne geographic ‘hot spot’ can impact service performance in downstream operations and in other facilities.”¹¹
 - a. Please explain in detail how these “hot spots” impacted on-time service performance results for Market Dominant products nationwide during FY 2021.
 - b. For each impact identified in response to part a. of this question, please provide quantitative support and identify the metric(s) used. If quantitative

¹⁰ See Docket No. ACR2020, *Annual Compliance Determination*, March 29, 2021, at 114, 116.

¹¹ Responses of the United States Postal Service to Questions 1-29 of Chairman’s Information Request No. 1, January 18, 2022, question 13.a.

support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.

17. Please provide point impact data for each of the top 15 root causes of failure for USPS Marketing Mail Flats in FY 2020.
18. Please refer to Library Reference USPS-FY21-29, Excel file “FY21 ACR First-Class Mail.xlsx,” tabs “Aggregation,” “FCF Aggregation - 2,” and “SPFC-I Aggregation - 2.”¹² Please provide on-time service performance results for First-Class Mail products in FY 2021 for the aggregation of Quarters 1 and 2 (first half of FY 2021) and the aggregation of Quarters 3 and 4 (second half of FY 2021).

Package Services

19. Unit costs for BPM Parcels increased by \$0.028 in FY 2021. FY 2021 ACR at 41. Please explain in detail the reason(s) why unit costs for BPM Parcels increased between FY 2020 and FY 2021. For each reason identified in the response, if possible, please quantify the impact it had on unit cost and provide supporting documentation.

Special Services

20. Please refer to the Postal Service’s discussion of Money Orders. See FY 2021 ACR at 44-47.
 - a. Regarding interest earned on money order float, the Postal Service states that “[t]he calculated value of the float fell from \$7.8 million in FY 2020 to \$0.4 million in FY 2021.” FY 2021 ACR at 44.
 - i. Please confirm this decline in the calculated value of the float is a result of the Variable Rate of Debt/Overnight PSF Investment

¹² Library Reference USPS-FY21-29, December 29, 2021, Excel file “FY21 ACR First-Class Mail.xlsx,” tabs “Aggregation,” “FCF Aggregation - 2,” and “SPFC-I Aggregation - 2.”

decreasing from a range of 0.24-2.08 percent in FY 2020¹³ to a range of 0.01-0.09 percent in FY 2021.¹⁴

- ii. If confirmed, please explain why the Variable Rate of Debt/Overnight PSF Investment decreased. Please also provide the source the Postal Service used for the Variable Rate of Debt/Overnight PSF Investment percentages. If the Postal Service is unable to provide the source, please explain.
 - iii. If question 2.a.i. is not confirmed, please explain.
- b. The cost for a Money Order Inquiry increased approximately 25.8 percent from \$15.53 in FY 2020¹⁵ to \$19.54 in FY 2021.¹⁶
- i. Please explain in detail the reason(s) why the cost for a Money Order Inquiry increased between FY 2020 and FY 2021. If the Postal Service is unable to do so, please explain.
 - ii. For each reason identified in the response to question 2.b.i., if possible, please quantify the impact it had on Money Order Inquiry's cost and provide supporting documentation.
 - iii. Please describe in detail any plans or initiatives the Postal Service has implemented or intends to implement to reduce the cost of a Money Order Inquiry. If there are no such plans, please explain.

¹³ Docket No. ACR2020, Library Reference USPS-FY20-28, December 29, 2020, Excel file "Money Order Inquiry and Float2020.xlsx," tab "ACTUAL TOTALS-20," cells E67:E78.

¹⁴ Library Reference USPS-FY21-28, December 29, 2021, Excel file "Money Order Inquiry and Float2021.xlsx," tab "ACTUAL TOTALS-21," cells E67:E78.

¹⁵ Docket No. ACR2020, Library Reference USPS-FY20-28, Excel file "Money Order Inquiry and Float2020.xlsx," tab "Money Order Inquiry," cell D15.

¹⁶ Library Reference USPS-FY21-28, Excel file "Money Order Inquiry and Float2021.xlsx," tab "Money Order Inquiry," cell D15.

- iv. In Docket No. R2021-2, the Postal Service proposed, and the Commission approved, a price of \$6.95 for a Money Order Inquiry.¹⁷ Considering the low cost coverage for this category of the Money Orders product, please identify and describe any pricing strategy the Postal Service intends to implement for this category in future rate cases.
- c. The Postal Service identifies increases in Clerk and Mailhandler costs and increases in debit card costs as two of the primary drivers of declining cost coverage for Money Orders. FY 2021 ACR at 44-45. Please describe in detail any plans or initiatives the Postal Service has implemented or intends to implement to address these and any other rising costs associated with Money Orders. If there are no such plans, please explain.

¹⁷ Docket No. R2021-2, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, July 19, 2021, Attachment at 99 (Order No. 5937).

- d. In the FY 2021 ACR, the Postal Service discusses the reasons for declining Money Orders' volumes. *Id.* at 46-47. With the increased availability of alternatives and the shift in consumer behavior, please describe in detail what steps, if any, the Postal Service is taking to retain or increase Money Orders' volumes. If there are no such plans, please explain.
21. From its introduction in FY 2010 until FY 2019, Stamp Fulfillment Services (SFS) did not cover its costs.¹⁸ In FY 2020 and FY 2021, SFS covered its costs.¹⁹
- a. Please explain in detail the reason(s) why SFS covered its costs in FY 2020 and FY 2021 after failing to cover its costs from FY 2010 to FY 2019.
 - b. Please explain whether the Postal Service expects SFS to continue to cover its costs should pre-pandemic consumer trends return and the reason(s) why or why not. Please also discuss if the Postal Service has made any operational changes relating to SFS that would contribute to future positive cost coverage.

By the Chairman.

Michael Kubayanda

¹⁸ Docket No. ACR2019, *Annual Compliance Determination Report*, March 25, 2020, at 66-67.

¹⁹ Docket No. ACR2020, United States Postal Service FY 2020 Annual Compliance Report, December 29, 2020, at 32; FY 2021 ACR at 43.